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The Department of Social and Health Services, Medical Assistance Administration, did not provide the State Auditor's Office sufficient, reliable and timely records for our audit to determine if payments through the Medicaid Management Information System are made only for services provided before a client's date of death.

Background

During our 2002 audit, we analyzed the validity of Medicaid clients' Social Security numbers as well as claims that could have been paid after a person had died. During that audit, we sampled 639 Medicaid recipients and found that 50 percent had issues related to the validity of the client's Social Security number. For example, we found invalid Social Security numbers, Medicaid payments for services rendered after individuals had died, and clients who were using a Social Security number that was assigned to a deceased person. Factors contributing to these conditions included Department staff not heeding or investigating alerts sent by the Social Security Administration; the Department's reliance on family members to voluntarily inform it of a client's death; and computer errors that occurred when client data was transmitted between the Department's client eligibility system and the Medical Management Information System.

During our 2003 audit, we attempted to determine if the Department had established controls that would ensure that only claimants with valid Social Security numbers were enrolled in the program and that people who were deceased were promptly removed from Medicaid eligibility. We found the Department did not have effective procedures that would enable all Community Service Offices to be notified of a client's death in a consistent and timely manner. Additionally, the Department and the Department of Health did not communicate for the purpose of obtaining notice of client deaths. We also found that internal controls to ensure the validity of Social Security numbers were inconsistent from one Community Service Offices to another.

Also during that audit, the Department did not provide us with reliable records in a timely manner. As a result we were unable to determine which unallowable payments were due to inadequate controls. We issued a report stating we could not determine whether payments were valid and questioned over \$288 million dollars in costs.

Description of Condition

For the fiscal year 2004 audit, we attempted, with the limited information made available to us by Department staff, to evaluate internal controls and compliance with federal regulations. The testing we planned to perform was for the period January 1, 2003 through December 31, 2003. We attempted to determine amounts paid through the Medicaid Management Information System for services provided after a client's death or

services provided to persons using the Social Security number of a deceased person. From a total of 2632 clients for whom these types of payments appeared to have been made, we obtained a valid sample of 188 clients. We encountered several difficulties with obtaining access to information for this audit, as follows:

- The U.S. Social Security Administration would not permit us independent access to the State Online Query (SOLQ), which is a system that can verify Social Security numbers. This forced us to depend on the Department, which does have access, to perform all of our Social Security number verifications. As a result, the Department was aware of the transactions being tested. When errors were found, the Department made alterations to the sample data in its computer systems that prevented us from completing our tests as planned. This action invalidated our sample and prohibited us from assessing compliance with reasonable assurance and reaching a conclusion. We were unable to determine if data originally given to us was faulty or if the current data was faulty.
- In some cases, SOLQ data provided a date of death, but the Administration stated the client was still alive because the state Department of Health had no death certificate. However, we were unable to obtain independent access to death certificate information to confirm this statement. During our previous audit, the Department of Health reported that we would be charged at least \$15 for each death certificate. Thus, the information was not available to us without substantial cost. The Administration does have a link to the Department of Health data base, with free unlimited access to this information. However, the Administration would not provide us with a computer terminal that would have enabled us to have independent access to this data. The Administration offered this data but would only provide it to us if its staff members performed the work and reported the results to us. Thus, we could not obtain this information independently.

We were able to obtain some information about the services we selected. From the review we managed to perform, we found 158 potential exceptions as follows:

- Use of deceased relative's Social Security number: 67 exceptions, or 35.6 percent, with estimated actual and projected costs of \$2,407,151.
- Apparent identity theft of a deceased unrelated person's Social Security number: 50 exceptions, or 26.6 percent, with estimated projected costs of \$1,418,814. There is a high risk that the \$703,619 of actual identified costs are the result of fraudulent transactions.
- Data entry error by Department: 17 exceptions, or 9 percent, with estimated actual and projected costs of \$511,342.
- Apparent provider fraud: 22 exceptions, or 11.7 percent, with estimated projected costs of \$301,998. There is a high risk that the \$143,485 of actual identified costs are the result of fraudulent transactions.

- Apparent identity theft of a living person's name and/or Social Security number: 2 exceptions, or 1.1 percent, with estimated projected costs of \$31,127. There is a high risk that the \$12,205 of actual identified costs are the result of fraudulent transactions.

The total estimate of actual and projected costs for all of these services combined was \$4,670,432. However, had we been able to obtain the information we needed independently, actual and projected costs may have been higher.

Cause of Condition

The audit liaison system the Administration set up this year prevented us from obtaining the information and conducting the procedures necessary to complete our audit according to Generally Accepted Auditing Standards and in compliance with federal auditing regulations.

However, with regard to the results of the procedures we could complete, we believe the causes to be:

- Social Security numbers are not consistently verified prior to admitting clients into the Medicaid program. The Department has the capability of verifying the validity of a Social Security number through SOLQ at the time of application. This control is not always used by staff members because they are not consistently trained and because of lack of management oversight. Workers are able to clear alerts notifying them that numbers belong to people who have died.
- The Administration is largely dependent on the provider or family members to voluntarily report a current client's death.
- There are known problems with the transfer of some data between Departmental data systems.

Effect of Condition

Because of an agency-imposed scope limitation, the State Auditor's Office did not have access to resources that would have allowed us to assess controls and to independently evaluate whether the Department was complying with Medicaid requirements in this area. Therefore, we cannot provide an opinion on compliance regarding allowable costs and eligibility of clients for Medicaid claims paid for services provided after the date of a client's death.

We estimate the cost of payments for such claims for the period of January 1, 2003 through December 31, 2003 to be at least \$4,670,432 but they may be as high as \$6,017,824. Due to timing issues, we were unable to determine how much was paid in claims for the fiscal year period, July 1, 2003 through June 30, 2004; however, we

believe the calendar year expenditures are an accurate approximation of the fiscal year expenditures. Federal Medicaid funds provided half of the payment amount; state funds provided the other half. The total amount is included in the overall Program disclaimer.

In addition, the Medicaid program is unnecessarily susceptible to loss or misappropriation because of the Administration's inability to identify deceased clients in a timely manner

Recommendations

With respect to recommendations for compliance with audit requirements, we recommend the Department:

- Ensure that the State Auditor's Office has timely access to the information and resources it needs to complete its audit.
- Ensure managers understand the role of independent audits in reporting on compliance with applicable laws and regulations when a provision of continued receipt of those funds is contingent on compliance.
- Work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid federal funds must be reimbursed as a result of this disclaimer.

With respect to recommendations for strengthening controls that would reduce the possibility of fraud and noncompliance with federal regulations, we recommend the Department develop and follow procedures that:

- Require staff to verify Social Security numbers for all Medicaid clients.
- Require staff to heed alerts sent by the Social Security Administration.
- Make it impossible for staff to delete alerts without management's approval and/or knowledge.
- Resolve the computer interface problems between its data systems.
- Establish procedures with the Department of Health that will provide notification of clients' deaths in a timely manner.
- Ensure staff members understand the new state law (Revised Code of Washington 9.35.020), which took effect July 1, 2004, and which defines identity theft in the first degree as the use of false identification to obtain anything of value in an aggregate of \$1,500.

In addition, we recommend the Administration forward the instances of apparent identity theft and provider fraud to its own Post-Payment Review Office or to the appropriate legal authorities.

Department's Response

The Department does not concur with this finding.

- The Department made every effort to provide timely access to accurate data/information, and to assist SAO by performing Social Security Number (SSN) verifications as requested. MAA communicated to SAO on several occasions its willingness to provide immediate SAO access to a Department workstation for SAO use in the validation of data/information. But the Department is not the owner of either the State Online Query System (SOLQ) or Department of Health (DOH) death certificate data. In order for SAO staff to use that workstation themselves, they first had to obtain a data access agreement. When SAO was unable to obtain that agreement, Department staff were assigned to assist SAO by performing SSN verification lookups. The Department is unable to understand why MAA staff verification of requested records, looked up and printed in the presence of SAO staff, negates the independent quality of the audit.
- The Department disagrees with the assertion that corrections to SSNs during the audit time period invalidate the sample records under review. The claims data provided to SAO was a “point in time” extract. Both MAA and Economic Services Administration (ESA) have employees whose daily job duties include correction of SSN errors. This activity did not impact SAO’s ability to test, nor does a data change alter the outcome of testing.
- The Department recognizes that there are problems with the interface between the Automated Client Eligibility System (ACES) and the Medicaid Management Information System (MMIS). Department staff continues to assess, prioritize and resolve these issues as they are identified. Implementation of an interface change in the current environment would be a complex and lengthy process. However, the problem will be better resolved within the next few years with the procurement of a new MMIS, which includes a complete assessment of the ACES/MMIS interface. A Cross-Agency Workgroup has been established to review and assess interface issues, provide recommendations, and work with the vendor of the new MMIS to develop the new interface.

In addition, the Department is a stakeholder in a DOH initiative that will provide an on-line application to access DOH death data. DSHS will partner with DOH to develop an interface to that system when it is available. However, DOH will still remain dependent upon counties for receipt of death data, resulting in a lag in DOH receipt of the information.

- This timing issue means the Department will have to continue post-pay review activities and recoupment of claims for deceased clients. Of the 188 clients included in the data file sent by SAO, MAA staff validated that 17 (9.04%) were deceased. The DSHS Payment Review Program's algorithm that utilizes quarterly DOH death data identified and recouped appropriate claims for all but one of the clients. Following Department review, a death date for that client was also entered into the MMIS, and appropriate claims recouped. (Detailed data review is available upon request)
- The remainder of the clients were not deceased. The flawed conclusion was apparently the result of either an error in the death date contained in the federal database utilized by SAO or the association of the SSN of a deceased individual with a living Medicaid client. The Department is already working to better identify these conditions and prevent them.
 1. There are instances where the SSN of a client's spouse is correctly entered into ACES, since client eligibility and income verification are based on the spouse's SSN. In these cases, the Health Insurance Claim number in ACES should include a suffix code that identifies that the client's eligibility is dependent upon the spouse's income.
 2. In response to Audit Finding No. 03-04, the Department convened a Workgroup to review options to enhance the already established procedures related to verification of Social Security Numbers, thus improving the accuracy of SSN in ACES. The Corrective Action Plan for that finding addresses those issues. Newly established automated verification of SSN for each ACES entry is scheduled to be implemented in February 2005.

Auditor's Concluding Remarks

Applicable Laws and Regulations

Disclaimer

RCW 43.09.310 states in part:

...The state auditor shall annually audit the statewide combined financial statements prepared by the office of financial management and make post-audits of state agencies. Post-audits of state agencies shall be made at such periodic intervals as is determined by the state auditor....

The American Institute of Certified Public Accountants, *Statement of Position 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*, Paragraph 10.43 and 10.44 states, in part:

The auditor is able to express on an unqualified opinion only if he or she has been able to apply all the procedures the auditor considers necessary in the circumstances. Restrictions on the scope of the audit - whether imposed by the client or by circumstances such as the timing of the auditor's work, an inability to obtain sufficient competent evidential matter, or an inadequacy of the accounting records - may require auditors to qualify their opinion or to disclaim an opinion.

When restrictions that significantly limit the scope of the audit are imposed by the client, the auditor generally should disclaim an opinion on compliance.

Compliance

The Code of Federal Regulations is explicit regarding obtaining and verifying Social Security numbers as a condition of Medicaid eligibility. 42 CFR 435.910 (a) specifically states in part:

The agency must require, as a condition of eligibility, that each individual (including children) requesting Medicaid services furnish each of his or her own social security numbers....

42 CFR 435.910 (g) states:

The agency must verify each SSN of each applicant and recipient with SSA, as prescribed by the commissioner, to insure that each SSN furnished was issued to that individual and to determine whether any others were issued.

If a Medicaid applicant cannot remember or has not been issued a Social Security number, 42 CFR 435.910 (e) (1-3) states that the agency must:

- (1) Assist the applicant in completing an application for an SSN;
- (2) Obtain evidence required under SSA regulations to establish the age, the citizenship or alien status, and the true identity of the applicant; and
- (3) Either send the application to SSA or, if there is evidence that the applicant has previously been issued a SSN, request SSA to furnish the number.

42 CFR 435.916 (a) states in part:

The agency must re-determine the eligibility of Medicaid recipients, with respect to circumstances that may change, at least every 12 months...

42 CFR 435.920 (a-c) states:

(a) In re-determining eligibility, the agency must review case records to determine whether they contain the recipient's SSN or, in the case of families, each family member's SSN.

(b) If the case record does not contain the required SSNs, the agency must require the recipient to furnish them and meet other requirements of 435.910.

If the agency initially established eligibility without verification of the Social Security number, 42 CFR 435.920 (c) requires:

For any recipient whose SSN was established as part of the case record without evidence required under the SSN regulations as to age, citizenship, alien status, or true identity, the agency must obtain verification of these factors in accordance with 435.910.

The Medicaid State Plan incorporates the above references as applicable to Washington State's coverage and eligibility criteria when it states the following:

The Medicaid agency meets all requirements of 42 CFR Part 435, Subpart J for processing applications, determining eligibility, and furnishing Medicaid.

RCW 9.35.020 states in part:

- (1) No person may knowingly obtain, possess, use, or transfer a means of identification or financial information of another person, living or dead, with the intent to commit, or to aid or abet, any crime.
- (2) Violation of this section when the accused or an accomplice uses the victim's means of identification or financial information and obtains an aggregate total of credit, money, goods, services, or anything else of value in excess of one thousand five hundred dollars in value shall constitute identity theft in the first degree....